

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

Report on compliance with principles and recommendations of the Corporate Governance Code

Present report on compliance with principles and recommendations of the Corporate Governance Code was scrutinized by the Board of Directors on the meeting, conducted on May 05, 2017 (Board minutes No. 226 dated as of May 05, 2017). The Board of Directors confirms that the 2016 report contains full and reliable information about Company's compliance with principles and recommendations of the Corporate Governance Code.

Evaluation method: Compliance with principles of corporate governance, set forth by the Corporate Governance Code, was evaluated in line with the form, proposed in recommendations regarding preparation of a report on compliance with principles and recommendations of the Corporate Governance Code (letter of the Bank of Russia dated as of 17.02.2016 No.IN-06-52/8).

No.	Principles of corporate governance	Evaluation-of-compliance criteria	Compliance status (full compliance, partial compliance, non-compliance)	Comments (if not complied or partially complied with the principle)
1.1	A company should ensure equal and fair attitude to all stockholders when they enjoy their right to govern the company.			
1.1.1	The company should create most favorable conditions for its shareholders enabling them to participate in the general meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed	1. A company has a free access to a bylaw, adopted by the general meeting to regulate the conduct of a general meeting. 2. A Company provides easy-of-access means of communications (hotline, e-mail or message board), enabling stockholders to voice opinions and file agenda-related questions during preparation of the general meeting. These activities were performed by a company prior to each general meeting conducted during the reported period.	full compliance	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein	1. A notice on a general meeting is posted on the web-site at least 30 days prior to the meeting. 2. A notice on a meeting stipulates a meeting place and documents required for the access to meeting premises. 3. Stockholders were provided with access to information about entities that proposed agenda items and nominees to the board of directors and board of internal auditors.	full compliance	
1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and timely receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and board of directors, and to communicate with each other	1. During the reported period stockholders were able to pose questions to executive bodies and Board members prior and during annual general meetings. 2. Position of the board of directors (incl. special opinions in the minutes) with regard to each agenda item of general meetings, conducted during the reported period, was integrated in materials for general meetings. 3. A company provided access to entitled stockholders to the list of entities entitled to participate in a general meeting, since the day of receipt by the company at all general meetings, conducted during the reported period.	full compliance	
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda	1. During the reported period stockholders were able to introduce items into the annual meeting agenda at least 60 days following the end of the year. 2. During the reported period a company has not waived agenda proposals or nominees, if a stockholder's proposal contained mistakes in spelling and other minor mistakes.	full compliance	
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way	1. A bylaw contains clauses stipulating that each general meeting participant is able to retrieve a ballot copy, attested by the counting commission, prior to the end of such meeting.	full compliance	

1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them	<p>1. General compresence meetings, conducted during the reported period, provided enough time for reports on agenda issues and debates.</p> <p>2. Nominees to management and control bodies were available to respond to questions posed by stockholders during the meeting that put the nominees for voting.</p> <p>3. The board of directors, while adopting meeting-related solutions, reviewed issues regarding telecom means for remote participation in the meetings during the reported period.</p>	partial compliance	The Company files GM invitations with nominees, but invitees are not always able to attend the meeting due to personal or work-related factors. Nevertheless, stockholders may ask any questions to attending nominees.
1.2	Shareholders should have equal and fair opportunities to participate in the profits of the company by means of receiving dividends			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. A company has prepared and disclosed dividend policy, approved by the board of directors.</p> <p>2. If a company's dividend policy uses financial statements to determine dividend amount, relevant clauses of the dividend policy uses consolidated financial statements.</p>	partial compliance	Dividends are calculated under RAS financial statements. The previous dividend history demonstrates that the Company usually distributes at least 25% of net profit as dividends. The Annual General Meeting of Stockholders, conducted on 06.06.2016, decided to distribute 50% of FY2015 net profit as dividends.
1.2.2	The company should not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity	1. The dividend policy of a company itemizes financial and economic conditions when dividend distribution is not allowed.	full compliance	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders	1. During the reported period a company did nothing to deteriorate dividend rights of its stockholders.	full compliance	
1.2.4	The company should strive to rule out any ways through which its shareholders can obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. To exclude other means of profit-making by stockholders, except for dividends and residual value, bylaws of a company stipulate tools of control over timely exposure and adoption of transactions with entities affiliated to the majority stockholders (entities entitled to administer votes attached to voting shares), in cases when the legislation formally does not deem these transactions as related-party transactions.	full compliance	
1.3	The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders as well as their equal treatment by the company.			
1.3.1	The company should create conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders	1. During the reported period procedures to control potential conflicts of interest of majority stockholders are efficient and conflicts between stockholders (if any) are treated by the board of directors in a proper manner.	full compliance	
1.3.2	The company should not perform any acts which will or might result in artificial reallocation of corporate control therein	1. A company has no quasi-treasury stock or such stock did not vote during the reported period.	full compliance	
1.4	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner			
1.4	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner	1. Quality and reliability of register-administration services rendered by the registrar comply with company's and stockholder needs.	full compliance	

2.1	The board of directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, monitor the activity of the company's executive bodies, and carry out other key functions.			
2.1.1	The board of directors should be responsible for decisions to appoint and remove [members] of executive bodies, including in connection with their failure to properly perform their duties. The board of directors should also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company	1. The Charter stipulates the authorities of the board of directors with regard to appointment/removal of executive bodies and determination of conditions of contracts with executive bodies. 2. The board of directors has examined a report (reports), prepared by the SEB or CEB, with regard to company's strategy.	full compliance	
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reported period the board reviewed issues related to execution and update of the strategy, approval of company's budget, criteria and indicators (incl. interim) of implementation of company's strategy and business plans.	full compliance	
2.1.3	The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company	1. The board of directors has determined the principles and approaches to creation of the risk management and internal control system in the company. 2. The board of directors has evaluated the risk management and internal control system of the company during the reported period.	full compliance	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers	1. The company has prepared and implemented the policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers. 2. During the reported period the Board has reviewed issues related to the policy.	full compliance	
2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees	1. The board of directors plays a key role in prevention, detection and resolution of internal conflicts. 2. The company has created a system to identify transactions related to conflict of interest and a system to resolve such conflicts	full compliance	
2.1.6	The board of directors should play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents	1. The board of directors has adopted the regulations on the information policy. 2. The company has determined persons, liable for implementing information policy.	full compliance	
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events	1. During the reported period the board of directors has reviewed an issue related to corporate governance practices.	full compliance	
2.2	The board of directors should be accountable to the company's shareholders			
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders	1. Company's annual report contains information on attendance of board and committee meetings by directors. 2. The annual report contains information on evaluation of board's work, performed during the reported period.	partial compliance	Information on Board's evaluation was not included into the annual report, since no evaluation was performed during the reported period.
2.2.2	The chair of the board of directors must be available to communicate with the company's shareholders	1. The company has a transparent procedure facilitating stockholders to file questions and positions with the chair.	full compliance	

2.3	The board of directors should be an efficient and professional governing body of the company which is able to make objective and independent judgments and pass resolutions in the best interests of the company and its shareholders			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform its functions efficiently	<p>1. Evaluation procedure, adopted by the company, includes evaluation of members' professional qualifications.</p> <p>2. During the reported period the board of directors (or its nominations committee) evaluated nominees to the board of directors to see whether they possess required background, knowledge, reputation and lack conflict of interests, etc.</p>	non-compliance	Although the Company has no approved procedure for evaluation of Board's efficiency and its Personnel and Remunerations Committee has not evaluated nominees, the Company practices requesting nomination consent from nominees. Nominees provide a short biography, incl. education and work background. The information is included into AGSM materials and posted on the official web-site ("General Meeting" Section). Therefore, each stockholder may perform an independent evaluation of the nominee s/he votes for. Besides, after being elected to the Board, a director fills in a questionnaire and enters detailed information on education and work background, possession of Company's stock, positions in other companies, etc. The Company has adopted the Anticorruption Policy focusing on revealing conflict of interest.
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities	1. In all cases when the company arranged general meetings with election to the board on the agenda during the reported period, it provided stockholder with biographies of all nominees, results of nominee evaluation performed by the board's (or its nominations committee's) and information whether a nominee complies with independence criteria in line with recommendations 102-107 of the Code and written consent of nominees to be elected to the board.	partial compliance	The Board of Directors and Personnel and Remunerations Committee have not evaluated nominees to the Board of Directors (only nominees to posts subject to Board of Directors' approval were assessed) during the reported period. The Company has not provided information on nominee's compliance with independence criteria in line with recommendations 102-107 of the Code in AGSM materials.
2.3.3	The composition of board of directors should be balanced, in particular, in terms of qualifications, expertise, and business skills of its members. The board of directors should enjoy the confidence of the shareholders	1. The board of directors has analyzed its requirements in credentials, background and skills during board's evaluation.	non-compliance	The Board of Directors and Personnel and Remunerations Committee have not evaluated nominees to the Board of Directors (only nominees to posts subject to Board of Directors' approval were assessed) during the reported period.
2.3.4	The membership of the board of directors of the company must enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote	1. The board of directors has examined whether the membership of the board of directors complies with company's needs and stockholders' interests during board's evaluation.	non-compliance	The Board of Directors and Personnel and Remunerations Committee have not evaluated nominees to the Board of Directors (only nominees to posts subject to Board of Directors' approval were assessed) during the reported period.

2.4 The board of directors should include a sufficient number of independent directors.				
2.4.1	An independent director should mean any person who has required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government	1. During the reported period all independent members of the board of directors complied with all independence requirements, stipulated in recommendations 102-107 of the Code or were deemed independent by the board of directors.	full compliance	
2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form	1. During the reported period the board of directors (or nominations committee) has formed an opinion on independence of each nominee and presented a relevant report on that to stockholders. 2. During the reported period the board of directors (or nominations committee) has, at least once, examined independence of the board members named as independent directors in the company's annual report. 3. The company has prepared procedures to determine required action of a board member if s/he ceases to be independent, incl. liability to inform the board of directors about that.	partial compliance	During 2016 the Board of Directors and Personnel and Remunerations Committee have not evaluated nominees in terms of independence. A clause, determining required action of a Board member if s/he ceases to be independent, is documented only in the Regulations on the Audit Committee. We intend to introduce such clause to other relevant bylaws.
2.4.3	Independent directors should account for at least one-third of all directors elected to the board of directors	1. Independent directors account for at least one-third of all directors elected to the board of directors.	non-compliance	The Board of Directors is elected by the Annual General Meeting. The Company is unable to influence the election process and procure that required number of independent directors are elected.
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions	1. Independent directors (with no conflict of interests) have a preliminary evaluation of material corporate events, related to a possible conflict of interests, with evaluation results filed with the board of directors.	non-compliance	Independent directors have not filed evaluation of material corporate events with the Board of Directors.
2.5 The chair of the board of directors should help it carry out the functions imposed thereon in a most efficient manner				
2.5.1	It is recommended to either elect an independent director to the position of the chair of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairman of the board of directors	1. The chair of the board of directors is an independent director or a senior independent director is identified among independent directors. 2. Role, rights and duties of the board chair (and senior independent director, if applicable) should be stipulated by the company's bylaws in a proper manner.	partial compliance	The Chair shall not always be an independent director. In line with bylaws and existing practice the Chair is elected by the Board of Directors among its members by the majority of total votes and the Board is entitled to replace the Chair at any time by the majority of total votes. During the reported period the Company has not either identified a senior independent director among independent directors or documented his/her role, rights and duties in relevant bylaws of the Company. We intend to revise the Regulations on the Board of Directors and include amendments securing possibility to elect a senior independent director among independent directors.
2.5.2	The board chair should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chair should also monitor fulfillment of decisions made by the board of directors	1. Efficiency of the chair's performance was evaluated as a part of total board's evaluation during the reported period.	non-compliance	Since companies have a transition period, Board's efficiency was not evaluated during the reported period.
2.5.3	The chair of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda	1. A duty of the chair to take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda is documented in company's bylaws.	full compliance	

2.6	Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks	<p>1. Company's bylaws stipulate that a Board member must inform the board on the conflict of interests with regard to any agenda item (of a board or committee meeting) prior to the beginning of debates on the issue.</p> <p>2. Company's bylaws stipulate that a board member must abstain from voting on any issue when s/he has a conflict of interests.</p> <p>3. The company has established a procedure that enables the board of directors to obtain professional consulting on issues under its competence at the company's expense.</p>	partial compliance	A clause enabling the Board to obtain professional consulting with regard to issues under its competence is documented only in the Regulations on the Committees. We intend to introduce the clause in other relevant bylaws.
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents	1. The company has adopted and posted a bylaw that clearly determines rights and duties of board's members.	full compliance	
2.6.3	Board members should have sufficient time to perform their duties	<p>1. Personal attendance of board and committee meetings and time spent to prepare for meetings were taken into account when the board was evaluated during the reported period.</p> <p>2. In line with company's bylaws board members are obliged to notify the board on intention to enter management bodies of other companies (except for subsidiaries and associates) and appointments.</p>	partial compliance	During the reported period the Board has performed no evaluation. Bylaws have no clauses obliging Board members to inform the Board on intentions to enter management bodies of other companies or appointments. However, Board members inform the Company on that as practice has it.
2.6.4	All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as practicable	<p>1. In line with bylaws members of the Board are entitled to have an access to documents and to file requests related to the company and its subsidiaries and executive bodies are obliged to provide such information and documents.</p> <p>2. The company has a formal familiarization program for newly elected directors.</p>	partial compliance	The Company lacks a formal familiarization program for newly elected directors. However, the Company fosters its introduction practices by answering questions, providing access to bylaws regulating the Company and its governing and oversight bodies. The official web-site discloses tons of information on the Company in Sections "About Company", "Information Disclosure" and "Investor Relations" to give a detailed picture of the Company to a newly elected member.
2.7	Meetings of the board of directors, preparation for them, and participation of board members therein should ensure efficient work of the board			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals	1. The board of directors had at least 6 meetings during the reported period.	full compliance	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's bylaws. The above procedure should enable the shareholders to get prepared properly for such meetings	1. The company has a bylaw stipulating a procedure for and holding meetings of the board of directors and setting out that meeting notice should be, as a rule, distributed at least 5 days prior to the meeting.	full compliance	
2.7.3	The form of a meeting of the board of directors should be determined with due account of importance of issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person	1. The charter or bylaws stipulate that most important issues (in line with the list from recommendation 168 of the Code) should be decided at the meetings held in person.	non-compliance	Company's bylaws do not have requirements of reviewing most important issues at the meeting held in person. But, as practice has it, the Company strives to decide most important issues during meetings held in person.
2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members	1. The charter stipulates that most important issues (as stated by recommendation 170 of the Code) should be decided at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	partial compliance	The Charter's list of decisions, made by a qualified majority vote or by a majority vote of all elected Board members, does not cover all issues stated by recommendation 170 of the Code.

2.8	The board of directors should form committees for preliminary consideration of most important issues of the company's business			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors	<p>1. The board of directors has formed an audit committee, comprised of independent directors.</p> <p>2. Company's bylaws stipulate objectives of the committee, including objective stated in recommendation 172 of the Code.</p> <p>3. At least one committee member, being an independent director, has credentials in preparation, analysis, evaluation and audit of financial statements.</p> <p>4. Meeting of the committee were conducted at least quarterly during the reported period.</p>	partial compliance	Clause 1 is not complied with, since only 2 out of 4 Committee members are independent. The Regulations on the Audit Committee has clauses stipulating requirements to the composition of the committee in terms of the number of independent directors.
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chair	<p>1. The board of directors created a remunerations committee, comprised of independent directors.</p> <p>2. The chair of the committee is an independent director who is not the board's chair.</p> <p>3. Company's bylaws determine objectives of the committee, including objectives stated in recommendation 180 of the Code.</p>	partial compliance	The Board has formed Personnel and Remunerations Committee. It is not chaired by the independent director, though the Committee Chair is not the Board's Chair. Committee's objectives are stipulated by the Regulations on the Personnel and Remunerations Committee, however, since it was adopted in 2014, the Regulations might not contain all clauses stated in recommendation 180 of the Code.
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors	<p>1. The board has formed a nominations committee (or other committee to perform its functions stated in recommendation 186 of the Code), majority of members being independent directors.</p> <p>2. Company's bylaws determine objectives of the nominations committee (or relevant committee with relevant functions), including objectives stated in recommendation 186 of the Code.</p>	partial compliance	The Board has formed Personnel and Remunerations Committee. Committee's objectives are stipulated by the Regulations on the Personnel and Remunerations Committee, however, since it was adopted in 2014, the Regulations might not contain all clauses stated in recommendations of the Code.
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees of its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.	1. During the reported period the board has examined whether composition of its committees comply with objectives of the board of directors and goals of the company. Additional committees were formed or were deemed unnecessary.	partial compliance	During the reported period the Board has not examined whether composition of its committees comply with objectives of the board of directors and goals of the company. After the General Meeting has reshuffled the Board, the Board determined composition of the committees previously deemed by the Board as necessary to fulfill established objectives and goals.
2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due account of differing opinions	<p>1. Committees are chaired by independent directors.</p> <p>2. Bylaws have clauses stipulating that entities who are not members of audit, nominations, remunerations committees may attend meetings only if invited by the relevant committee chair.</p>	partial compliance	During the reported period only the Audit Committee was chaired by an independent director.
2.8.6	The chairs of the committees should inform the board of directors and its chair of the work of their committees on a regular basis	1. During the reported period the chairs of the committees informed the board of directors of the work of their committees on a regular basis.	partial compliance	The Board reviewed only reports of the Audit Committee.

2.9	The board of directors should procure evaluation of quality of its work and that of its committees and board members			
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement	1. Self-evaluation or external evaluation of board's work, performed during the reported period, included evaluation of committees' work, directors of the board and the board itself. 2. Results of self-evaluation or external evaluation of the board, performed during the reported period, were reviewed at the board meeting held in person.	non-compliance	The efficiency of the Board of Directors was not evaluated during the reported period.
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years	1. To carry out an independent evaluation of the quality of the board of directors' work the company, at least once in 3 last reported periods, has engaged a third party entity (consultant).	non-compliance	The efficiency of the Board of Directors was not evaluated during the reported period.
3.1	The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its board of directors			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders	1. The company has adopted and disclosed a bylaw on the corporate secretary. 2. The official web-site and annual report contain the biography of the corporate secretary, with the same level of detail as board's members and management have.	full compliance	
3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks	1. The board approves appointment, removal and additional remuneration of the corporate secretary.	full compliance	
4.1	The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company			
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees	1. The company has a bylaw regarding remuneration of the board, management and other key staff that stipulate approaches to remuneration of the entities.	full compliance	
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same	1. During the reported period remunerations committee has reviewed remuneration policy and practices and presented relevant recommendations to the board (if needed).	full compliance	
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons	1. A policy on remunerations contain transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	full compliance	

4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations	1. A policy on remunerations or other bylaws stipulate rules on reimbursement of expenses incurred by members of the board of directors, the executive bodies, and other key managers of the company.	full compliance	
4.2	The system of remuneration of board members should ensure harmonization of financial interests of the directors with long-term financial interests of the shareholders			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members	1. A fixed annual fee was a preferred form of monetary remuneration of the board members during the reported period.	full compliance	
4.2.2	Long-term ownership of shares in the company contributes most to aligning financial interests of board members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans	1. If bylaws on remunerations stipulate ownership of shares by the board's members, there should be clear rules of ownership by the board's members aimed at stimulating long-term ownership.	non-compliance	The bylaw does not stipulate the ownership of shares by the members and, therefore, does not contain clear ownership rules aimed at stimulating long-term ownership.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances	1. The company has no additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	full compliance	
4.3	The system of remuneration due to members of the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance results and their personal contributions to the achievement thereof.			
4.3.1	Remuneration due to members of the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	1. During the reported period approved annual KPIs were used to determine the amount of variable proportion of remunerations paid to executive bodies and other key staff. 2. During the last evaluation of the system for remuneration of members of executive bodies and other key staff the board (remunerations committee) made sure that the company has a justified ratio of fixed and variable proportions. 3. The company has a procedure ensuring the return of bonuses illegally received by members of executive bodies and other key staff by the company.	partial compliance	The company has no procedure ensuring the return of bonuses illegally received by members of executive bodies and other key staff by the company.
4.3.2	Companies whose shares are admitted to trading at organized markets are recommended to put in place a long-term incentive program for members of the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares)	1. The company has implemented a long-term incentive program for members of executive bodies and other key staff by the company, using company's shares (other derivative financial instruments). 2. A long-term incentive program for members of executive bodies and other key staff stipulates that a right to sell such shares and other financial instruments opens after 3 years since the beginning, the right supported by achieving relevant KPIs.	non-compliance	The Company examines a possibility to arrange an option program for members of executive bodies and other key staff.

4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of a member of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed two times the fixed portion of his/her annual remuneration	1. The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of a member of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, does not exceed two times the fixed portion of his/her annual remuneration.	full compliance	
5.1	The company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the company's goals will be achieved.			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company	1. Functions of various management bodies and units with regard to the risk management and internal control systems are stipulated by bylaws or relevant policy of the company, approved by the board.	full compliance	
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company	1. The company's executive bodies ensured distribution of functions and mandates regarding risk management and internal control among subordinate heads of units and sections.	full compliance	
5.1.3	The company's risk management and internal control system should enable one to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company	1. The company has the anticorruption policy. 2. The company arranged available method for informing the board or audit committee on violations of legislation, internal procedures, ethic code of the company.	full compliance	
5.1.4	The board of directors is recommended to take required and sufficient measures to procure that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates efficiently	1. During the reported period the board or audit committee evaluated the efficiency of the risk management and internal control system of the company. Information on key results of such evaluation is described in the annual report.	full compliance	
5.2	To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the company should arrange for internal audits			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. Internal audits are carried out by a separate structural division (internal audit department) with direct reporting line to the board or audit committee or by third party entity with the same reporting line.	full compliance	
5.2.2	When carrying out an internal audit, it is recommended to evaluate efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing	1. During the reported period the efficiency of the risk management and internal control system was evaluated as a part of internal audit. 2. The company uses generally accepted approaches to internal control and risk management.	full compliance	

6.1	The company and its activities should be transparent to its shareholders, investors, and other stakeholders			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders	1. The board of directors has adopted the information policy prepared in line with the Code. 2. The board (or one of its committees) has reviewed issues related to company's compliance with its information policy at least once a year.	partial compliance	The Company has the information policy, but this policy was adopted in 2013 and might miss several recommendations of the Code. Compliance reports are scrutinized by a separate division of the majority stockholder (Rosseti, PAO) on a quarterly basis.
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code	1. The company discloses information on its corporate governance system and general principles of corporate governance, including official web-site. 2. The company discloses information on the composition of executive bodies and board of directors, directors' independence and committee membership (in line with the Code). 3. If the company has a controlling stockholder, the company discloses a memo of such stockholder with regard to CG plans.	partial compliance	The Company does not disclose a memo of a controlling stockholder with regard to CG plans since the document is still being prepared.
6.2	The company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions			
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data	1. Company's information policy stipulates approaches and criteria for information, subject to significant impact on company's evaluation and its stock prices, and procedures ensuring timely disclosure of such information. 2. If company's securities are traded on foreign organized markets, information is disclosed in Russia and abroad in a synchronous and equivalent manner during the reported period. 3. If foreign stockholders own a significant block of company's stock, information is disclosed both in Russian and in one of the commonly used foreign languages during the reported period.	full compliance	
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law	1. During the reported period the company disclosed annual and semiannual IFRS financial statements. The annual report contains annual IFRS statements, accompanied by the auditor report. 2. The company discloses full information on the shareholder capital structure in line with recommendation 290 of the Code in the annual report and at the official web-site.	full compliance	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year	1. Company's annual report contain information on key aspects of company's operations and its performance. 2. Company's annual report contains information on ecological and social aspects of company's operations.	full compliance	
6.3	The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome	1. Company's information policy determines an unburdensome procedure for access to information, including company's associates, if requested by stockholders.	full compliance	
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness	1. During the reported period the company has not waived stockholder's requests or such waivers were well-grounded. 2. In cases, stipulated by company's information policy, stockholders are warned of confidentiality of such information and are obliged to keep it confidential.	full compliance	

7.1	Any actions which will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed			
7.1.1	Material corporate actions shall be deemed to include reorganization of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors	<p>1. The charter stipulates the list of actions or other actions that are material corporate actions and criteria for their determination. Decision-taking with regard to material corporate actions is referred to the competence of the board. In cases when such material corporate actions are referred to the competence of the general meeting by the law, the board provides relevant recommendations to stockholders.</p> <p>2. The charter refers the following actions to material corporate actions: reorganization of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares.</p>	full compliance	
7.1.2	The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on opinions of the company's independent directors	1. The company stipulates a procedure that would induce independent directors to announce their position towards material corporate actions prior to approval.	non-compliance	Bylaws of the Company do not stipulate such procedure, but, as practice has it, independent directors announce their position towards material corporate actions prior to approval.
7.1.3	When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code	<p>1. The charter stipulates criteria of referring transactions to material corporate actions at even lower level than stated by the law, factoring in company's peculiarities.</p> <p>2. During the reported period, all material corporate actions underwent approval prior to implementation.</p>	full compliance	
7.2	The company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that the shareholder rights are observed and duly protected in the course of taking such actions			
7.2.1	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions	1. During the reported period the company disclosed information on material corporate actions of the company, including reasons and terms for such actions in time and in details.	full compliance	
7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its bylaws	<p>1. Bylaws of the company stipulate a procedure of engagement of independent appraiser to determine the value of property, alienated or acquired under major or related-party transactions.</p> <p>2. Bylaws stipulated a procedure of engagement of independent appraiser to determine the value of share acquisition or redemption.</p> <p>3. Bylaws stipulate a wide list of reasons under which board members and other entities stated by the law are deemed a related party.</p>	full compliance	